

THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 04-117

ORDER OF NOTICE

On July 9, 2004, Hanover Water Works Company, Inc. (Hanover) filed with the New Hampshire Public Utilities Commission (Commission) a Petition for Authority to Issue Securities and to Increase Rates. Hanover supplies water to approximately 1,800 customers in the Town of Hanover. Hanover seeks authority to borrow up to \$6,500,000 to construct a new water filtration and treatment system to address complaints regarding taste, odor, and color as well as to comply with new requirements of the Safe Drinking Water Act (SDWA). Hanover also intends to construct a new 1,000,000 gallon water storage tank. Hanover also requests authority to increase customer rates to a level that will enable Hanover to pay the debt service on its financing and to earn a reasonable return on its invested capital.

Hanover requests approval for the \$6,500,000 financing amount to comprise two loans. Hanover has received approval from the State of New Hampshire Department of Environmental Services (DES) for \$700,000 through the low interest Drinking Water State Revolving Loan Fund (SRF) program. Hanover expects the remaining \$5,800,000 will be funded through a loan from a commercial lending institution, although it is continuing to seek additional SRF loan authorization and, if successful, will utilize those funds to the maximum extent possible. The interest rate of the SRF loans is currently at 3.728%, with a 20 year term of repayment. An interest rate of 1% is applied to all outstanding funds advanced during construction. Terms of the borrowing for that portion of the project funded through a

commercial lending institution have not yet been agreed upon, as no commitment letter has yet been issued. However, the lending institution, Citizens Bank (Citizens), has indicated an interest in providing financing up to the total \$6,500,000 amount of the project, which would also include refinancing of Hanover's existing debt with Citizens.

Hanover intends to construct a Membrane Filtration Facility in order to meet increasing requirements of the Surface Water Treatment Rules (SWTR) of the SDWA scheduled to be implemented by the U.S. Environmental Protection Agency (EPA) in the near future. Although Hanover remains technically in compliance with the SWTR at this time, it continues to have difficulty remaining in consistent compliance with certain requirements of the SWTR. Hanover's consulting engineers, Wright-Pierce, Inc., evaluated treatment process options available for Hanover's particular circumstances and recommended the Membrane Filtration Facility.

A 1998 study of Hanover's distribution system recommended additional storage capacity of approximately 1.82 million gallons to address fire protection concerns, to reduce low pressure/high flow conditions, and to provide for treatment stability. Hanover constructed an 800,000 gallon storage facility as part of an SRF-funded project approved by the Commission in DF 98-076. Hanover now proposes to construct a 1,000,000 gallon tank at the treatment site. Hanover estimates the cost of this portion of the project to be \$1,217,000.

Hanover estimates that based on the capital to be invested in new fixed plant, as well as depreciation expense and additional operation and maintenance expenses associated with the new filtration plant, it will require an additional \$906,495 of new revenues on an annual basis. Hanover states this increase in required revenue will increase customer rates by approximately 66%. At the conclusion of the project, Hanover will submit all supporting cost

documentation for Commission review and verification. Thereafter, Hanover proposes that the rate increase be implemented on a bills rendered basis. Hanover estimates that the project could be completed by the late fall of 2005, and thus estimates the rate increase could take effect on January 1, 2006. Hanover proposes that the rate increase be applied equally to all customer classes.

The filing raises, inter alia, issues related to RSA 369 and the terms and conditions of the proposed financing; the need for the proposed capital improvements; the treatment process selected; and RSA 378 and the just and reasonableness of customer rates.

Based upon the foregoing, it is hereby

ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.05, be held before the Commission located at 21 Fruit Street, Suite 10, Concord, New Hampshire on August 19, 2004 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin Rule Puc 203.05(c) shall be considered; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, Hanover, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow Hanover to provide any amendments or updates to its filing, as well as to develop a procedural schedule for the pendency of this proceeding; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, Hanover shall notify all persons desiring to be heard at this hearing by sending a copy of this Order of Notice to the Town Clerk of the Town of Hanover, as well as by publishing a copy of this Order of Notice no later than August 5, 2004, in a newspaper with statewide circulation or of

general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before August 19, 2004; and it is

FURTHER ORDERED, that the Executive Director shall also place a display advertisement notifying customers of the prehearing conference in the *Valley News* no later than August 5, 2004, publication to be documented by affidavit filed with the Commission; and it is

FURTHER ORDERED, that pursuant to N.H. Admin Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to Hanover Water Works and the Office of the Consumer Advocate on or before August 16, 2004, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin Rule Puc 203.02 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before August 19, 2004.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of July, 2004.

Debra A. Howland
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 Fruit Street, Suite 10, Concord, New Hampshire 03301; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.